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Ontario won't hit 1.5 million homes goal, housing starts shrink in fall economic statement

Province not projected to hit 100,000 housing starts in any of next 3 years

Lane Harrison || October 30, 2024

As Premier Doug Ford's government attempts to get 1.5 million homes built by 2031, its Ministry of Finance says projected housing starts for the next three years have gone down since the last budget.

The province is projecting a lower number of housing starts for 2024, 2025, 2026 and 2027 in the fall economic statement tabled by Finance Minister Peter Bethlenfalvy on Wednesday.

The 2024 budget predicted 87,900 housing starts this year, a number that dropped to 81,300 in the fall economic statement and is far below the goal of creating 125,000 new homes in 2024 in Ontario, that's laid out in the statement.

The statement says homebuilders continue to face a tough economic environment. The projections are based on private sector averages as of Sept. 19.

To reach its goal, the government would need to be building at least 100,000 homes a year. The statement projects the highest number of starts to be 95,300 in 2027, which is a decrease of 500 from the 2024 budget.

While those projections have worsened, the economic statement includes an improved forecast of the province's fiscal position in 2024-25. The projected deficit is \$3 billion smaller than what was expected when the 2024 budget was tabled.

"Getting to this point is the result of strong fiscal management and was not easy, nor was it automatic," Bethlenfalvy said in his speech to the legislature Wednesday.

"This lower deficit came thanks to a number of different factors, including higher revenues, lower borrowing and, of course, lower interest on debt," he said.

The economic outlook comes amid speculation of an early election call in the province, and Bethlenfalvy attacked previous Liberal governments and those in power in Ottawa during his speech Wednesday.

"Under the Liberals, 300,000 manufacturing jobs were lost in the province, red tape held back investment, energy costs soared, and fees and taxes on businesses were high. Tell me, is that good or bad?" Bethlenfalvy said, to which his fellow Conservatives shouted "bad."

His economic statement outlines plans announced earlier this week to send every taxpayer a \$200 cheque and to extend fuel tax cuts. It also includes previously announced funding for fertility treatment and grants for medical students.

In new funding, the province shared it will be topping up its main grant for municipalities by \$100 million, to bring the Ontario Municipal Partnership Fund to \$600 million by 2026.

Province defends \$200 cheques over cutting deficit

The 2024 budget projected a deficit of \$9.8 billion, while the statement tabled Wednesday now projects a \$6.6 billion deficit. The province is seeing billions of dollars in increased revenue largely thanks to higher than expected tax revenue, the statement says.

That increase comes out to \$6.9 billion, meaning the \$3 billion plan to send every taxpayer a \$200 cheque in early 2025 accounts for about half of the windfall.



Finance Minister Peter Bethlenfalvy speaks to the media before tabling the Ontario budget, at Queen's Park, in Toronto, on April 28, 2022. (Evan Mitsui/CBC)

Bethlenfalvy was asked repeatedly why his government didn't reduce the deficit with that \$3 billion, he said while inflation is coming down, the cost of goods is still high.

"I could wait maybe a couple of years to be able to provide some relief," he said to reporters after tabling his statement in the legislature. "I think the relief has to happen now."

Ontario is on track to get back to a balanced budget by 2026-27, with an expected surplus of \$900 million – an increase from the \$500 million surplus projected in the 2024 budget.

The reduced projected deficit comes even as Ontario adds \$5 billion to its expenses, which the economic statement says is primarily the result of the government's \$3 billion cheque plan.

Opposition parties attack reduced housing projections

Reacting to the statement in the legislature, Catherine Fife, NDP finance critic, blasted the downgraded projections of new housing starts.

"You will never, if you continue on this pathway, ever meet the 1.5 million new homes that Ontario needs. And your stubbornness on not addressing the need for non market housing is a true failure of leadership," Fife said.

NDP Leader Marit Stiles joined in the criticism when speaking to reporters.



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"Where are the homes we were promised? Because we can't find any. The only thing that gets built in Ontario are encampments, under Doug Ford," Stiles said.

Bethlenfalvy attributed the housing starts slow down in large part to the fluctuation of interest rates in recent years.

"Things go up and down in cycles," he said.

Bethlenfalvy touted provincial spending to help municipalities expand infrastructure needed for housing, like sewage, as an example of what the government is doing to reverse the downward trend.

LCBO revenue expected to increase long term

As the province expands the sale of alcohol across convenience, grocery and big box stores, LCBO revenue in 2026-27 is projected to be \$800 million higher than previously estimated because of the liquor store's role as a wholesaler.

But in 2024-25 and 2025-26, LCBO revenue is expected to be lower than was projected in the 2024 budget. The economic statement lays the blame on the July strike, a decrease in consumption overall and the transition to a new marketplace.

The statement says the two-week long strike cost the liquor store \$102 million.

The outlook also outlines the projected change in market share of the alcohol sector, which is defined by volume in litres sold. In 2023-24, the LCBO had a little more than half of the market share while the Beer Store had a little less than half.

By 2026-27, the Beer Store's market share will shrink to 15 per cent while the LCBO's grows to more than three-quarters.

Education, mental health advocates slam statement

While the government says the document is filled with good news, both the Elementary Teachers' Federation of Ontario (ETFO) and the Canadian Mental Health Association (CMHA) have criticized its contents.

CMHA CEO Camille Quenneville said the community mental health and addictions sector is still being strained by a lack of funding.

"Increases to base budgets for community-based care are much needed to manage these capacity pressures and retain valued staff," Quenneville said in a statement.

Karen Brown, ETFO president, said in a statement that the government missed an opportunity to help teachers struggling with violence in schools, increasing class sizes and workloads.

"The message is loud and clear: public education does not matter to this government," Brown said.